Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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In the Matter of	)	
	)	
Local Exchange Carriers'	)	CC Docket No. 93-162
Rates, Terms, and Conditions	)	
for Expanded Interconnection	)	
Through Physical Collocation	)	
for Special Access and Switched Transport	)	
	)	

PACIFIC BELL'S SUPPLEMENTAL REFUND PLAN

I. INTRODUCTION

Pacific Bell files its Supplemental Refund Plan in compliance with the Commission's *Second Report and Order,* released June 13, 1997 in the above-captioned proceeding.[1] This Supplemental Refund Plan adds the following information to Pacific Bell's Refund Plan filed July 28, 1997 in this proceeding: 1) A statement in Part IV below that Pacific Bell's refunds will take into account the disallowance of POT bay and repeater costs from DS1 and DS3 cross connection rates; 2) additional information in Exhibits A and B concerning the interest rates described in

[1] Our compliance with the *Order* does not, of course, constitute a waiver of our right to appeal any issue arising in the *Order*. Further, the cost information provided in filings to comply with the *Order* does not reflect Pacific Bell's cost of providing collocation, but instead reflects, in whole or in part, derived costs calculated in accordance with the *Order*.

Part IV below.[2] This Supplemental Refund Plan is for those central offices for which Pacific Bell is filing tariff revisions on July 28, 1997. Pacific Bell will make its additional compliance filings in accordance with the Commission's *Order* released July 25, 1997 in this proceeding, which granted Pacific Bell an extension of time.

In the *Second Report and Order* ("*Order*"), the Commission required that the LECs' refund plans include full explanations of how they have complied with the findings of the Order. In the sections that follow, Pacific Bell sets forth this explanation and its plan to provide refunds.

II. COST ADJUSTMENTS FOR PHYSICAL COLLOCATION SERVICES

A. Direct Cost Disallowances

Pacific Bell has met all the requirements for direct cost disallowances (*Order*, para. 63). The Commission required the following disallowances to Pacific Bell's direct costs:

1. Requirement to remove 30 square feet from floor space rates (*Order*, para. 96).
2. Requirement to remove repeater (*Order*, para. 109) and POT bay (*Order*, para. 113) costs from DS1 and DS3 cross connection rates.
3. Requirement to reduce floor space direct costs relative to the industry average plus one standard deviation point (*Order*, para. 190).
4. Requirement to reduce DC power direct costs relative to the industry average plus one standard deviation point (*Order*, para. 206).

[2] The language in Part IV below has been adjusted to reflect that proration of partial-month interest will be done for recurring refunds. In Exhibit B, Pacific Bell explains why proration is not done for non-recurring refunds and that this slightly benefits collocators.

5. Requirement to reduce security installation direct costs relative to the industry average plus one standard deviation point (*Order*, para. 240).

6. Requirement to reduce construction direct costs relative to the industry average plus one standard deviation point (*Order*, para. 263).

With regard to requirements 1 and 2 above (the "case-by-case" cost analysis), Pacific Bell removed the square footage for collocator cage access from its floor space function and also removed repeater and POT bay costs from its DS1 and DS3 cross connections. With regard to requirements 3 thru 6 above (the "function-by-function" average cost analysis), Pacific Bell removed the cost disallowances for the four functions in which the Commission required Pacific Bell to make adjustments.

B. Prescribed Overhead Factors

Pacific Bell made all the required overhead loading disallowances (*Order*, para. 304). The Commission determined that Pacific Bell must reduce its DS1 and DS3 physical collocation rate elements to reflect the lower of (1) the overhead loading factor assigned to each particular physical collocation service DS1 or DS3 rate element; and (2) the lowest overhead factor reflected in its rates for any of its comparable DS1 or DS3 services (*Order, para.* 313). Pacific Bell adjusted its overhead loadings downward to the prescribed level for those functions where the overhead loading exceeded the prescribed level.

III. RATE ADJUSTMENTS

Pacific Bell's method for identifying cost disallowances is detailed in the Description and Justification for Cost and Rate Adjustment Methodology that

accompanies Pacific Bell's tariff revisions for Expanded Interconnection Service that are being filed on July 28, 1997. Pacific Bell translates these cost disallowances by tariff review plan ("TRP") function into rate adjustments, as described in the Methodology.

IV. REFUNDS

Pacific Bell's refund amounts for physical collocation services will be based on the difference between the rates that result from the disallowances that Pacific Bell has made to comply with the *Order* and the actual rates charged to those customers subscribing to Pacific Bell's physical collocation services between December 15, 1994 and the day before Pacific Bell's new rates take effect pursuant to the *Order*. These differences are by central office, for each of six affected rate elements: central office space (recurring), central office space (non-recurring), infrastructure (non-recurring), DC power (recurring), DC power (non-recurring), and power cabling (non-recurring). Refunds will be calculated separately for each rate element and each customer in each central office. Pacific Bell's refunds will take into account the disallowance of POT bay and repeater costs from DS1 and DS3 cross connection rates. All refunds will take into account the quantities of elements purchased, the date they were purchased, and in the case of recurring rates, the length of time the element was in service. Refund calculations will include simple interest and use IRS interest rates (*Order*, para. 392). Partial-month interest will be prorated for recurring refunds based on the number of days in the month in question. See Exhibits A and B hereto concerning interest.

V. METHOD OF RATE REFUNDS

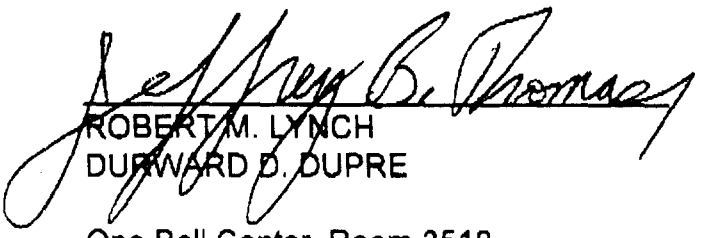
Pacific Bell will deliver a check to each collocator for the full amount of its refund.

VI. CONCLUSION

Pacific Bell respectfully requests that the Commission accept this Supplemental Refund Plan.

Respectfully submitted,

PACIFIC BELL



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Date: August 8, 1997

EXHIBIT A

APPLICABLE INTEREST RATES

The following are the IRS interest rates which Pacific Bell uses in its refund calculations:

Dec 94:	8.00%
Jan 95:	8.00%
Feb 95:	8.00%
Mar 95:	8.00%
Apr 95:	9.00%
May 95:	9.00%
Jun 95:	9.00%
Jul 95:	8.00%
Aug 95:	8.00%
Sep 95:	8.00%
Oct 95:	8.00%
Nov 95:	8.00%
Dec 95:	8.00%
Jan 96:	8.00%
Feb 96:	8.00%
Mar 96:	8.00%
Apr 96:	7.00%
May 96:	7.00%
Jun 96:	7.00%
Jul 96:	8.00%
Aug 96:	8.00%
Sep 96:	8.00%
Oct 96:	8.00%
Nov 96:	8.00%
Dec 96:	8.00%
Jan 97:	8.00%
Feb 97:	8.00%
Mar 97:	8.00%
Apr 97:	8.00%
May 97:	8.00%
Jun 97:	8.00%
Jul 97:	8.00%
Aug 97:	8.00%
Sep 97:	8.00% (for rates to be filed under Pacific Bell's extension of time)

The above are rates used for overpayments, per the Internal Revenue Code, as amended, 26 U.S.C. Section 6611. The quarterly rate is published in Internal Revenue Bulletins.

EXHIBIT B

APPLICATION OF RATES TO REFLECT SIMPLE INTEREST AND RATE CHANGES OVER TIME

Recurring Refunds

The formula for calculating refunds of a recurring nature is as follows:

$$V_r \times D_r \times P_1 \times (1 + (i_1 + i_2 + i_3 + \ldots i_f) / 12) + V_r \times D_r \times (1 + (i_2 + i_3 + \ldots i_f) / 12) +$$

$$V_r \times D_r \times (1 + (i_3 + \ldots i_f) / 12) + V_r \times D_r \times P_f \times (1 + i_f / 12)$$

Where: V_r is the recurring volume (number of units) of service of a particular rate element. V_r may change from month to month.

D_r is the recurring disallowance (refund amount) per month for the rate element.

P_1 and P_f are proration factors. P_1 is used to prorate D_r in the first month based on the start date of the service (e.g., a service starting on the 16th day of a 30 day month will have half, or 15 divided by 30, of the monthly disallowance refunded) just as the original recurring charge is prorated at the start of service. Also, D_r is prorated in the final month of the refund to reflect new rates effective August 12, 1997 (the new rate will be prorated for the remainder of August). This final-month proration factor, P_f, is 0.35483871, or 11 divided by 31 (the proration factor for the new rate will be 0.64516129, or 20 divided by 31). The proration factor will be adjusted if the effective date of the new rates changes. It will also be adjusted to reflect rate-effective dates in September for Pacific Bell's subsequent filings for its remaining offices.

i is the IRS interest rate. I_1 is the interest rate in the first month of service, I_2 the second month, I_3 the third, and i_f the interest rate in the final month of the refund.

Non-Recurring Refunds

The formula for calculating refunds of a non-recurring nature is:

$V_n \times D_n \times (1 + (i_1 + i_2 + i_3 + ... i_f) / 12)$

Where: V_n is the non-recurring volume (number of units) of service of a particular rate element.

D_n is the non-recurring disallowance (refund amount) for the rate element.

i is the IRS interest rate. i_1 is the interest rate in the first month of service, i_2 the second month, i_3 the third, and i_f the interest rate in the final month of the refund.

Prorating the interest rate in the first month to reflect the start of service date, and in the final month to reflect the new-rate effective date, is not done for non-recurring refunds. By not prorating the first and last month's interest rates, Pacific Bell is slightly advantaging the collocation customers, since they are receiving interest, in effect, for an additional amount of time. These spreadsheet functions use compound interest (not simple interest) and require a fixed interest rate over time. Calculating simple interest with a changing interest rate in order to prorate the interest -- to determine refunds for over 240 customers and eight rate elements with varying disallowances by central office -- would require extensive programming time and spreadsheet capacity. This would require an expenditure of resources that would not be warranted by the resulting slight decrease in refunded interest.

EXAMPLES

Recurring: Refund amount: $100.00 per month
Start date of service: May 5, 1997
Volume: 1 unit every month

1 x $100.00 x (27 / 31) x (1 + (8% + 8% + 8% + 8%) / 12) +
1 x $100.00 x (1 + (8% + 8% + 8%) / 12) +
1 x $100.00 x (1 + (8% + 8%) / 12) +
1 x $100.00 x (11 / 31) x (1 + 8% / 12)
or
$87.10 x 1.0267 + $100.00 x 1.02 + $100.00 x 1.0133 + $35.48 x 1.0067
or
$89.43 + $102.00 + 101.33 + $35.72 = $328.48

Total refund for this rate element = $328.48.

Non-Recurring: Refund amount: $100.00
Start date of service: May 5, 1997
Volume: 1 unit

1 x $100.00 x (1 + (8% + 8% + 8% + 8%) / 12)
or
$100.00 x 1.0267 = $102.67

Total refund for this rate element = $102.67.